

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-10 ISO-00 TRSE-00 XMB-04 AGR-10

CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07

INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-02 AID-05

CIEP-02 SS-15 STR-04 TAR-01 USIA-15 PRS-01 SP-02

OMB-01 FEA-01 /120 W

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R 140910Z MAY 75

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 5895

INFO AMEMBASSY JAKARTA

UNCLAS THE HAGUE 2437

PASS TREASURY

E.O. 11652: N/A

TAGS: EAID, NL

SUBJECT: PERTAMINA FINANCIAL CONTROLS

1. BANK INDONESIA GOVERNOR RACHMAT SALEH ANNOUNCED AT IGGI MEETING MAY 12 RECENT DECISIONS FOR IMPROVED CONTROL AND MONITORING OF PERTAMINA FINANCIAL TRANSACTIONS: (A) ALL PERTAMINA EXPORTS TO BE COVERED BY LETTERS OF CREDIT OPENED WITH BANK INDONESIA (BI) BY BUYER IN FAVOR OF PERTAMINA. THIS WILL ENABLE BI MONITOR EXPORT TRANSACTIONS AND SAFEGUARD GOVERNMENT SHARE OF EXPORT PROCEEDS. (B) ALL PERTAMINA IMPORTS TO BE COVERED BY L/C'S OPENED BY BI. THIS WILL ENABLE BI KEEP ACCURATE ACCOUNT OF PERTAMINA EXTERNAL OBLIGATIONS AND MONITOR PROBITY OF TRANSACTIONS. C) PERTAMINA PROHIBITED FROM MAKING USE OF SUPPLIER CREDIT FACILITIES, EVEN ON VERY SHORT TERM. EXISTING CREDIT LINES WILL NOT BE UTILIZED.

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2. RACHMAT SALEH CONFIRMED PREVIOUSLY ANNOUNCED MEASURES INCLUDING PROHIBITION ON PERTAMINA FOREIGN BORROWING FOR SOME TIME TO COVE; TRANSFER OF MANAGEMENT RESPONSIBILITY FOR CERTAIN NON-OIL-RELATED PROJECTS

(E.G. KRAKATAU, CIREBON AND PETROKIMIA FERTILIZER PROJECTS) TO APPROPRIATE MINISTRIES; AND REVIEW OF EXISTING PROJECTS WITH A VIEW TO DETERMINING WHETHER CONTINUE, RENEGOTIATE OR ABANDON.

3. TO EXTENT THAT NEW BORROWING (EXCLUSIVE OF REFINANCING) REQUIRED FOR PERTAMINA-SPONSORED PROJECTS, THIS WILL BE CONSIDERED WITHIN OVERALL \$2 BILLION PLANNED ANNUAL BORROWING LEVEL AND SUCH CLAIMS ON GOI BORROWING CAPACITY WILL BE CONSIDERED ALONG WITH COMPETING FINANCIAL NEEDS IN FRAMEWORK OF NATIONAL DEVELOPMENT PRIORITIES.

4. RACHMAT SALEH USED ESTIMATE FOR TOTAL PERTAMINA FINANCIAL AND CONTRACTUAL OBLIGATIONS AS OF MID-MAY OF \$1.9 BILLION OF WHICH \$1.0 BILLION IS SHORT-OFF \$450 MILLION OF PERTAMINA SHORT-TERM OBLIGATIONS. (GOI WILL ATTEMPT REFINANCE THIS AMOUNT AND SUBSEQUENT PAYMENTS THROUGH SYNDICATED BORROWING BY BI, FIRST OF WHICH IS LOAN BEING MANAGED BY MORGAN GUARANTY. PERTAMINA STANDS RESPONSIBLE TO REPAY GOI FOR REFINANCING ARRANGED ON ITS BEHALF.) THERE MAY BE SOME FURTHER REDUCTION IN THESE FIGURES AS A RESULT OF SUBSEQUENT DECISIONS NOT TO PROCEED WITH SOME TRANSACTIONS ALREADY COVERED BY L/C'S.

4. AS USED HERE, SHORT-TERM OBLIGATIONS INCLUDE OBLIGATIONS TO FINANCIAL INSTITUTIONS PLUS UNLIQUIDATED L/C'S. FIGURE FOR MEDIUM AND LONG-TERM OBLIGATIONS IS LIMITED TO AMOUNTS COVERED BY FINANCIAL DOCUMENTS, AND DOES NOT REFLECT FULL FACE VALUE OF OUTSTANDING CONTRACTS. FOR EXAMPLE, INFRASTRUCTURE INVESTMENT FOR KRAKATAU FOR WHICH PERTAMINA CONTRACTUALLY COMMITTED NOT REFLECTED IN FIGURES BECAUSE NO FINANCING YET ARRANGED. NO ESTIMATE AVAILABLE FOR TOTAL VALUE OF CONTRACTS.

5. INDONESIAN DELEGATION HAS PROMISED TO CIRCULATE UNCLASSIFIED

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WRITTEN STATEMENT COVERING FOREGOING.  
TANGUY

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<< END OF DOCUMENT >>

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 26 AUG 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FINANCIAL CONTROLS, MEETINGS, GOVERNMENT CORPORATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 MAY 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
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**Disposition Comment:**  
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**Reference:** n/a  
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**TAGS:** EAID, NL, ID, PERTAMINA, IGGI  
**To:** STATE INFO JAKARTA  
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